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Mission Statement

To be a world-class supplier of advanced, fully integrated total manufacturing and engineering solutions to the global electronics industry through partnerships with our customers and suppliers; enhanced with the skills and enthusiasm of our employees.

C-MAC at a Glance



C-MAC is a leading internationally diversified designer and manufacturer of integrated electronic manufacturing solutions that range from individual components to full system level. It is primarily focused on serving global markets for communications, automotive, instrumentation, defense, and aerospace equipment. C-MAC services also include product design, supply-chain management, assembly and testing. With its headquarters in Montreal (Quebec, Canada), C-MAC employs over 6,000 employees and operates 38 manufacturing facilities located in Belgium, Canada, China, France, Germany, India, the United Kingdom and the United States. C-MAC's manufacturing operations are supported by five design centers that are strategically located in North America and Europe. C-MAC (CMS) stock is traded on the Toronto Stock Exchange.

Web site address: www.cmac.ca

Teamwork, Technology and Trust™



Financial Highlights


Revenue (\$ in millions)



■ 99 /	1,175
■ 98 /	646
■ 97 /	414
■ 96 /	318
■ 95 /	265

EBITDA

(\$ in millions) / Earnings before interest, taxes, depreciation and amortization



■ 99 /	119.2
■ 98 /	62.5
■ 97 /	44.2
■ 96 /	34.8
■ 95 /	25.8

Net Earnings before Goodwill Amortization

(\$ in millions) / (continuing operations)



■ 99 /	49.0
■ 98 /	26.8
■ 97 /	20.4
■ 96 /	14.7
■ 95 /	8.4

(In thousands of dollars, except per common share data)

Fiscal years ended December 31 **1999** 1998 1997

Operating Results

Revenue	1 174 602	645 503	414 280
Net earnings before goodwill amortization	49 032	26 760	20 405
Net earnings	45 172	25 418	20 252

Per Common Share

Net earnings before goodwill amortization	0.82	0.51	0.40
Net earnings	0.76	0.49	0.40
Shareholders' equity (at year end)	8.76	5.00	2.97

Financial Position

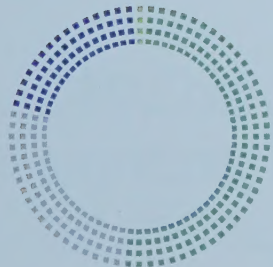
Working capital	304 991	182 731	81 536
Shareholders' equity (at year end)	523 829	260 317	153 236
Cash flow from operations	83 776	47 363	29 117

Selected Ratios

Long-term debt to shareholders' equity (including instalments due within one year)	0.41 for 1	0.53 for 1	0.10 for 1
Return on weighted average shareholders' equity during the year	14.75%	14.45%	14.45%

1999 Revenue per Region

(Shipped from)



■ United States /	52%
■ Canada /	26%
■ Europe /	21%
■ Asia and others /	1%

1999 Revenue per Region

(Shipped to)



■ United States /	50%
■ Canada /	27%
■ Europe /	19%
■ Asia and others /	4%

Our Message to the Shareholders

1999: A Year to Remember

The year 1999 saw C-MAC continue rapid growth while achieving outstanding financial results. In fact, 1999 was so successful, we are a year ahead of schedule in meeting our target of \$1 billion in gross revenues, an objective originally planned for year-end 2000. Sales for 1999 grew to \$1.2 billion.

A significant portion of this growth was internally generated: our existing operations grew at an annual rate of over 25%. Another portion was attributable to our ongoing program of acquisitions: in 1999, C-MAC successfully completed eight acquisitions, carefully selected to round out our portfolio of capabilities and accelerate the implementation of our strategic plan.

With revenues at an all-time high and a strong balance sheet, C-MAC is in a powerful position to deliver on our commitments to rapid growth and improved profitability. We anticipate that the year 2000 will mark another period of surging growth and opportunity. We will continue to expand our customer base while strengthening and deepening relationships with existing clients. We will continue to pursue our strategy of selective vertical integration. Focusing in particular on the communications and automotive sectors, we will continue with the program of strategic acquisitions that has made such a vital contribution to C-MAC's growth. Such initiatives offer tremendous upside potential and C-MAC has both the track record and the momentum necessary to turn them into outstanding successes.

Key Trends

The past decade has witnessed a profound transformation in the operations of original equipment manufacturers (OEMs), especially in the communications sector. Focusing on core businesses such as networking solutions and systems integration, many of them have spun off their traditional manufacturing divisions. Increasingly, they are outsourcing their manufacturing requirements.

Focusing in particular on the communications and automotive sectors, we will continue with the program of strategic acquisitions.

This presents C-MAC with huge market opportunities as it positions itself to be the supplier of choice for a broad spectrum of electronic and electromechanical manufacturing solutions. To ensure success, C-MAC has become a global player with the financial strength, full engineering support, worldwide presence, manufacturing flexibility, and solid supply base that OEMs are looking for.

1999 Highlights

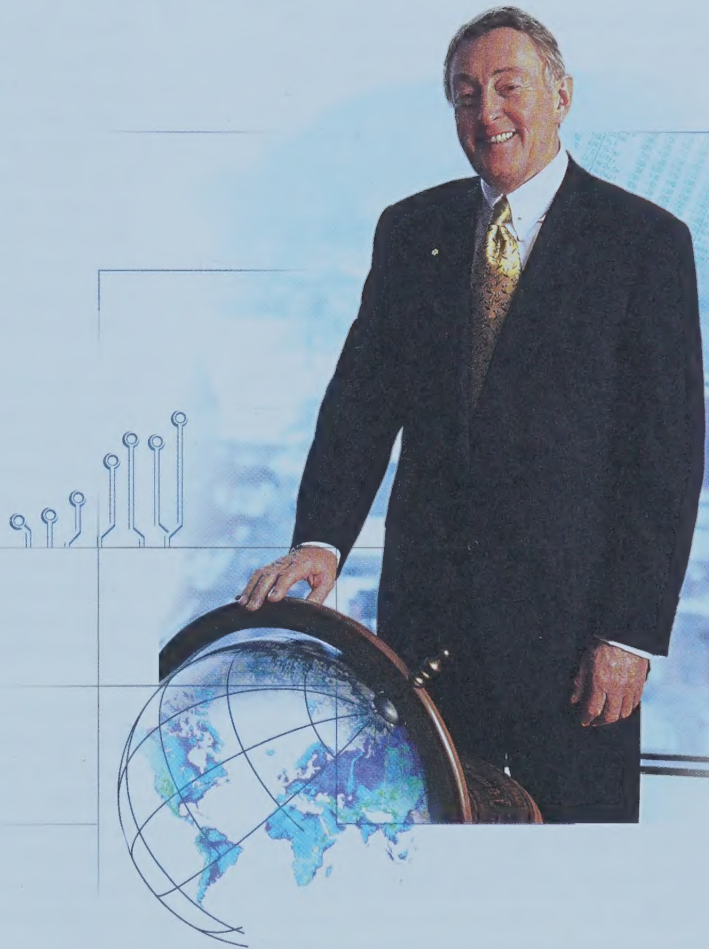
- > Sales grew to \$1.2 billion, an increase of 85% over the previous year.
- > Net earnings before goodwill amortization grew to \$49.0 million, an increase of 83% over the previous year.
- > Net earnings grew to \$45.2 million, an increase of 78% over the previous year.
- > Cash flow from operations grew to \$83.8 million, an increase of 77% over the previous year.

Our Strategic Response

Early in our corporate history, C-MAC made a conscious decision to focus on the communications sector, which was growing faster than other parts of the economy. Our strategic plan is anchored in our understanding of this industry's dynamics as well as a detailed knowledge of our customers. They want comprehensive manufacturing solutions that allow them to focus on their own core competencies. They want reliability and responsiveness. They are looking for accelerated times to market. And they absolutely insist on competitive pricing.

Initially, we met these expectations by developing close strategic alliances and partnerships with major customers. We sought out long-term partnerships as preferred suppliers to large established corporations. In developing these relationships, we acquired the key technologies that allowed us to propagate best practices and develop faster. We also learned how to satisfy the stringent requirements of this sector for reliable equipment that would last. Early successes put us in a position to pursue similar relationships with a growing roster of other communications companies.

As C-MAC capabilities evolved, we saw an opportunity to increase the value we deliver to our customers while accelerating growth and raising our profitability. This opportunity is embodied in our strategy of selective vertical integration. We adopted this strategy two years ago as a way of strengthening our position as a key player in the electronic manufacturing services industry. Its outstanding success can be seen both in our current financial performance and the lead we now enjoy over our competitors.



C-MAC has become a global player with the financial strength, full engineering support, worldwide presence, manufacturing flexibility, and solid supply base that OEMs are looking for.

This decentralized approach also optimizes our flexibility and allows for production scheduling that combines responsiveness to customers with optimal capacity utilization.

The integration portion of the strategy means that C-MAC is assembling all of the capabilities required to meet and exceed customers' expectations under our corporate umbrella. The selective part means that we are focused only on the competencies that add value and improve service to our customers by reducing cycle times for product development, shrinking overall time-to-market, or expanding the geographic reach to provide local support.

One visible outcome of this strategy is that C-MAC now operates 38 manufacturing facilities in nine countries. This gives us global reach and critical mass. It means that we can stay close to customers, providing them with local support, wherever they are. It means that we can address a wide variety of customers simultaneously. That means we can even out the peaks and valleys of demand in any one market and improve the overall capacity utilization of our facilities.

Less visible but equally important is what we are doing internally to improve operational performance. Each of our facilities is treated as a distinct profit center. As a member of the C-MAC family, it can generate up to 40% of its business through orders from other C-MAC facilities. The balance, however, must be secured from external customers. This ensures that every part of the C-MAC network is exposed to the discipline of the market, benchmarks itself against the best in the business, and remains focused on continuous improvement to stay competitive.

The discipline of the marketplace means that every one of our facilities is focused on pursuing cost reduction programs, reducing cycle times for product development, and shrinking overall time-to-market through concurrent engineering. At the same time, because each facility is deemed to be an independent profit center, its management is evaluated on its ability to make continuous improvements to organizational efficiency and productivity in the interests of enhancing its profitability. This decentralized approach also optimizes our flexibility and allows for production scheduling that combines responsiveness to customers with optimal capacity utilization. As a result, C-MAC is far more agile than other corporations of a comparable size.

One key element of our strategy is to improve our gross margins by looking for opportunities to add value to our customers. In other words, we do not treat our components as commodities characterized by razor-thin margins. Instead, we seek to offer customers highly customized solutions that contribute real value to their businesses. Every C-MAC facility is mandated to look along the entire supply chain for ways of increasing the value it provides its clients. At the front end, we collaborate with customers on product definition to ensure manufacturability. At the back end, we ensure that our components are properly integrated into complete systems.

Reflecting our commitment to customer value, we have established a powerful design capability. C-MAC now has more than 280 engineers focused on the design and packaging of electronic and electromechanical products, subsystems, and systems. In September, C-MAC formally established three electromechanical design centers as well as three electronic design centers located in England, Canada, and the USA. As a result, we now operate one of the industry's largest non-captive electromechanical design groups.

In 1999, all of the elements of C-MAC's strategy of selective vertical integration came together. We now have established the global reach to stay close to customers while serving multiple markets. We have the organizational structures and incentives to ensure both cost-competitiveness and enhanced profitability. We have the technologies, processes and design expertise available to provide value all along the supply chain while ensuring manufacturability and reducing time to market. In short, we have a world-beating combination of assets and capabilities that puts us in a unique position within our industry.

Acquisitions and Organizational Changes

C-MAC will continue to optimize the synergies arising from our corporate strategy. We have been preparing for the globalization of our business and markets by expanding our facilities and manufacturing capacity, maintaining technological leadership, and stressing process development. Our acquisitions have given us access to new technologies. They not only provide us with a growing business base; they also bring new talent, new business practices and new technological capabilities into the organization.

The electronic industry sector is very dynamic but C-MAC has been able to keep pace with rapid change. C-MAC will remain agile to seize the opportunities ahead.

In short, we have a world-beating combination of assets and capabilities that puts us in a unique position within our industry.

Every C-MAC facility is mandated to look along the entire supply chain for ways of increasing the value it provides its clients.

C-MAC's operations fall into one dominant industry segment, the electronics manufacturing services industry. Organizational changes have been made to streamline our structure, improve internal communications, and further integrate our product lines while diversifying our customer base throughout the telecom, datacom, aerospace, industrial and automotive sectors.

The rapid integration of our Creedmoor facility, in tandem with improved results from our quartz crystal manufacturing unit in Harlow, has produced a higher gross margin. In pushing ahead the integration of our businesses, we have started to transfer the manufacture of labor-intensive products from our Frequency Products' Harlow facility to C-MAC Centum in India. While not materially affecting our financial results, the shift has repositioned our Frequency Products unit more competitively, ensuring its long term growth. Despite some persistent challenges, our PCB manufacturing unit in South Carolina is showing signs of significant improvement. C-MAC continued on its aggressive growth track in the fourth quarter, expanding its operations to include two new facilities in Montreal. These new state-of-the-art facilities are key components in the corporation's ability to keep in the forefront of manufacturing requirements.

C-MAC has strengthened its leadership position in the microcircuit marketplace by acquiring two leading providers of Low Temperature Co-fired Ceramic (LTCC) modules: Scrantom Engineering of Costa Mesa, California and a division of Deutsche Thomson-Brandt (now known as C-MAC GmbH) located in Villingen, Germany. Leading high-technology OEMs use LTCC to pack significant functionality into a very small space and to hedge against unstable operating environments. These acquisitions complement our existing Surface-Mount (SMT), Chip-On-Board (COB), and Flip Chip component assembly technologies for populating

Organizational changes have been made to streamline our structure, improve internal communications, and further integrate our product lines.

substrates. The combination of LTCC with these core competencies provides a fully integrated solution for demanding growth markets. C-MAC is now able to offer a complete range of microcircuit products, from sophisticated bare substrates to fully assembled complex microcircuit modules using a variety of substrate materials.

In addition to purchasing SR Telecom's manufacturing facility in Kanata (Ontario, Canada), we entered into a five year supply agreement in which SR Telecom will subcontract the manufacture of a number of its products to C-MAC. This partnership will enhance C-MAC capabilities in RF technology and strategically position C-MAC to take advantage of the fast-growing wireless market.

By pairing C-MAC design capabilities with our expertise in manufacturing, we can produce electronic devices at competitive prices for the growing electronic commerce market. In fact, Sherbrooke area residents were first to test a new smart-card device designed and manufactured by C-MAC during the Mondex Electronic Cash (e-cash) community-wide implementation in Sherbrooke (Quebec, Canada).

Metal fabrication (enclosures) capabilities represent a critical component of C-MAC's worldwide strategy. The Blue Star acquisition meshes perfectly with our recent acquisition of the Nortel carrier electromechanical subsystem design and manufacturing business. Blue Star, a leading European manufacturer of metal enclosures and accessories, including cabinets, frames, card cages, sub-racks and machining, has manufacturing facilities in South Ockendon (England) and Larne (Northern Ireland). Together with the manufacturing business in Northern Ireland and the electromechanical design groups in UK and North America, Blue Star along with our acquisition of R&M Metaltek earlier this year represents C-MAC's determination to become a one stop shop for our global customers.

Another part of our long term diversification strategy is to develop capabilities for the automotive sector through partnerships with first and second tier suppliers such as Delphi, Hella or Siemens Automotive. Our acquisition of two LTCC technology operations in North America and Europe during the year illustrates our intention of becoming an important supplier in this market. The considerable effort we have spent on ensuring the reliability of our product portfolio shows our commitment to maintaining security of supply and high service levels on behalf of our customers.

Growth Strategy: Looking Beyond 2000

C-MAC's accelerating growth proves that our strategy of selective vertical integration works. Moreover, we have now assembled capabilities and assets that provide a firm foundation for continued growth in the future. We will continue with the strategy that has served us so well. For the immediate future, C-MAC will focus on three areas.

First, we will strengthen relationships with existing customers. Throughout our corporate history, we have enjoyed excellent relationships with the strongest players in the industry. What is more, we learned from these relationships. By staying close to customers, we understand their requirements and this shapes our strategy. In some cases, we will follow them into new markets to provide local support. In others, we will acquire a specific capability because our customers need it. In still others, we will work with them to identify opportunities for providing further value added at the component design stage, through improvements to the manufacturing process, and at the systems integration stage.

Second, we will continue to add to our roster of customers by looking for new partners and new relationships. To this end, we are exploring opportunities in areas such as East Asia as well as the hitherto untapped markets of South America.

By staying close to customers, we understand their requirements and this shapes our strategy.

We remain focused on both the top and bottom lines of our business.

Third, we will continue our strategy of selective acquisition, rounding out our portfolio with capabilities that are needed by our customers or identifying under-utilized facilities where we can add significant value.

At all times, however, C-MAC management will remain focused on its margins and its overall profitability. We will pursue growth only if it comes with a clear opportunity to add value to customers, improve our margins, and provide shareholders with attractive returns. In this, we remain focused on both the top and bottom lines of our business.

C-MAC exists within a rapidly evolving environment that demands responsiveness, flexibility and corporate agility to respond to changing circumstances, new requirements and emerging opportunities. The communication sector is one of the fastest growing parts of our economy. It is also a leader in a general trend toward outsourcing. C-MAC's expertise in this sector, the capabilities it has assembled, and its demonstrated successes put it in a powerful position to capitalize on emerging opportunities. Indeed, we are confident in saying that the growth we have seen at C-MAC so far is only the tip of the iceberg: already we are looking beyond what is happening today to seize the huge opportunities we see emerging in this vital and dynamic industry.

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A Word of Thanks

We want to thank the customers and suppliers who believed in C-MAC and who put their trust in its true potential and unparalleled capabilities. We want to pay tribute to a dedicated team of outstanding managers who helped the company to fulfill its mission. We also owe thanks to the members of the Board of Directors for their unfailing sense of responsibility and for the judicious decisions that have led to our successful growth. Last but not least, we would like to single out the invaluable contribution of our employees who, year after year, demonstrate their skill, teamwork and commitment.



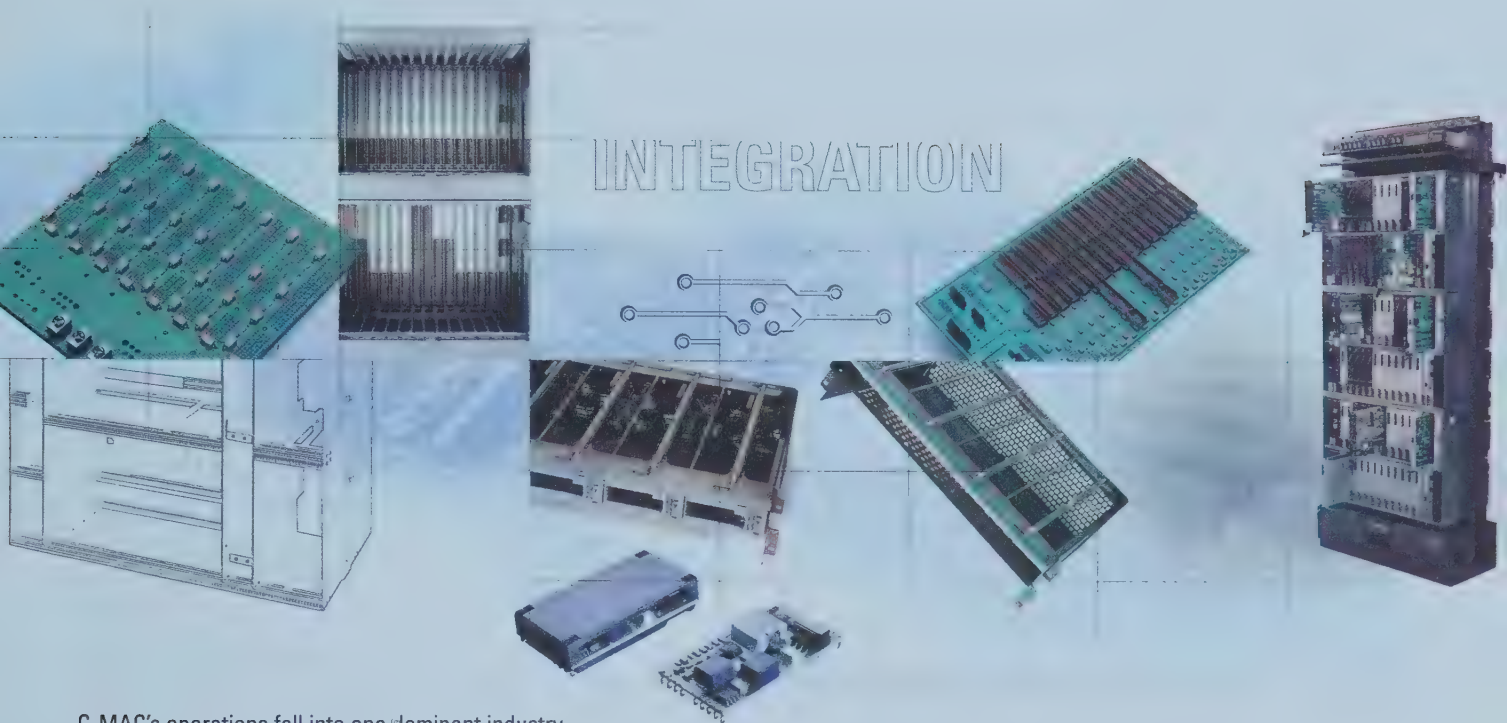
Dennis Wood
Chairman of the Board
President and Chief Executive Officer

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The Lunar Roving Vehicle against the lunar background during the Apollo 15 surface extravehicular activity (EVA)



Report of Activities



C-MAC's operations fall into one dominant industry segment: the electronics manufacturing services industry. To maintain technological leadership in our strategic markets, C-MAC actively pursued several areas of important technological activity such as substrates, electronic-circuit and system designs, mechanical and electromechanical design and assembly, system integration and final test, as well as specialized manufacturing technology.

Engineering and Design

C-MAC made significant strides this year in strengthening its overall design capabilities by acquiring 51% of La Société de Microélectronique Industrielle de Sherbrooke (SMIS). As a result, we were able to create an R&D centre in partnership with the "Université de Sherbrooke" and Nortel Networks' electromechanical design and manufacturing operations for the carrier business. This acquisition will enhance C-MAC's position as a global leader in electromechanical design, manufacturing, and assembly.

Product design and manufacturing technology are the twin foundations on which C-MAC's strength is built.

Electronic-circuit and system design using both discrete components and semiconductor integrated circuits underlies many of the products in microtechnology. C-MAC has a group of expert designers, including specialists in the design of application-specific integrated circuits. In addition to designs for C-MAC's own proprietary products, our designers have worked on projects for automotive and military customers.

Mechanical and electromechanical design is the basis for our interconnect products and much of our equipment-housing products. We took a significant stride in 1999 when Nortel Networks decided to outsource a substantial portion of its electromechanical activity, including design capabilities, to C-MAC. Our design group appears to be the single largest

Teams participate at all stages of the design process, from advanced concept through prototypes to first production.

non-captive group of its type within our market sector. It operates in Europe, Canada, and the US, supplying advanced electromechanical design services directly to customers and to other C-MAC groups. Combined with the existing product-division design groups and the SMIS joint venture in Sherbrooke, C-MAC can now provide total equipment and packaging design solutions to a broad range of customers.

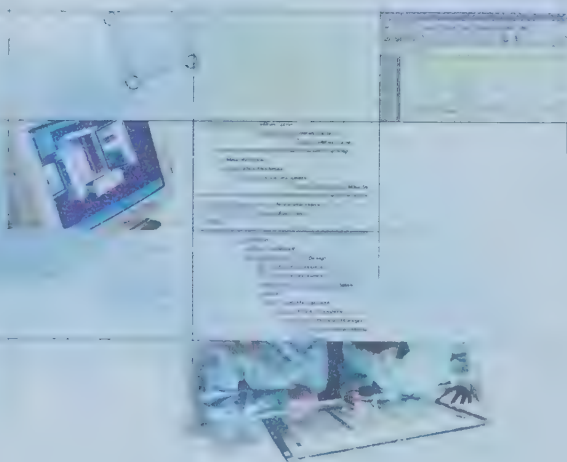
When it was founded, C-MAC's original focus was on ceramic hybrid substrate technology, which continues to be of great strategic importance. A number of major steps were taken in 1999 to strengthen our leadership position in this area. The Microtechnology plant in the UK made great strides in developing high power heater elements constructed using a thick-film printing process. The initial application was for use in domestic water heating appliances, which represents an important diversification in our market base. The techniques developed also give us a technological capability in high power film circuit construction.

This will be of increasing importance in automotive and power applications as well as in a variety of consumer products.

There are increasing opportunities for substrates with much higher component packing densities and interconnections than normally provided by thick-film hybrid circuits. Our Belgian operation has directly addressed this by developing very fine-line processes for thick-film circuit production. Since several possible processes can be used to achieve fine lines and new ones are being developed, C-MAC conducts ongoing R&D to investigate new materials and processes.

Product design and manufacturing technology are the twin foundations on which C-MAC's strength is built. This includes the diverse manufacturing processes used for quartz crystal components, production of printed wiring boards, ceramic and other substrates, and the diverse range of assembly and test processes used in electromechanical operations. C-MAC's in-house machine technology is critical to our success in the manufacturing of backplanes. These skills in designing and fabricating special-purpose machines have also been focused on high-volume production facilities for automotive components. Close collaboration among design groups in the future will further enhance this competitive advantage.

Teams participate at all stages of the design process, from advanced concept through prototypes to first production. They can also provide lifetime design support for equipment in the field. We make extensive use of the most modern CAD systems for 3D structural design, finite element analysis of structures, thermal analysis, and other specialized needs. We can design parts for manufacture by all conventional forming, molding, casting, and machining processes. In addition, we have the ability to design according to specified electromagnetic compatibility requirements. Optimum manufacturability and cost are always essential parameters. With this unrivalled design capability and our extensive mechanical and electromechanical manufacturing expertise, C-MAC is now truly the "one-stop shop" that customers need.



Integrated Systems Solutions

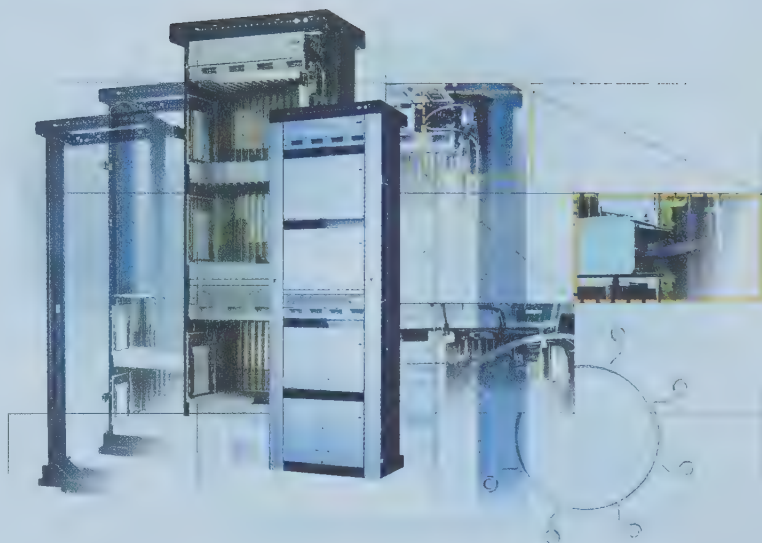
At the beginning of the decade, we supplied a single product (battery feed resistor networks) to a single customer (Nortel) in a single market (telecom). Recognizing the need to diversify, we developed a strategic plan to broaden our markets, expand our customer base, enhance our product line and provide exceptional customer support from facilities located around the world.

As we identified shifts in the contract-manufacturing marketplace, we adjusted the strategic plan to pursue vertical integration by incorporating electromechanical design services, full system assembly, and greater control over the supply chain.

The balanced success of C-MAC results from our ongoing analysis and steady implementation of this dynamic strategic plan, strengthened by a loyal, enthusiastic and committed workforce. We have successfully integrated the competencies, capacities, and cultures of our core thick-film hybrid and backplane businesses with those of the sheet metal fabrication, PCB fabrication, board assembly and system integration acquisitions. Our customer base now includes multiple large, established customers, complemented by smaller, young companies developing the leading-edge technologies demanded by the marketplace.

Our new acquisitions addressed recognized core competence and capacity needs. Metatek joined C-MAC at the beginning of 1999 and immediately made a positive impact by supplying critical sheet metal components to internal and external customers. The contract manufacturing facilities of SR Telecom and LG Technologies provided greater customer diversification and increased our surface-mount capabilities. Blue Star Engineering became part of the Electronic Systems family later in the year with a mission to provide manufacturing excellence to our European customers.

We have successfully integrated the competencies, capacities and cultures of our core thick-film hybrid and backplane businesses with those of the sheet metal fabrication, PCB fabrication, board assembly and system integration acquisitions.



Our global-quality initiative remains an essential part of C-MAC's success. Our quality and procurement teams have worked closely with suppliers to ensure that incoming materials meet C-MAC's quality requirements. Together, they have developed a program that guarantees a positive and mutually rewarding relationship for C-MAC, our suppliers, and our customers. By gaining a thorough understanding of our customers' needs and by committing to continuous improvement, we have been able to provide customer service second to none while delivering quality products on time. Our success is evident by the recognition we continue to earn for excellence coupled with our steady growth.

C-MAC's core competence in systems assembly, integration, and test represents the culmination of C-MAC's strategy of selective vertical integration

C-MAC's core competence in systems assembly, integration, and test represents the culmination of C-MAC's strategy of selective vertical integration. It presents an opportunity to leverage the collective strengths of other C-MAC activities to deliver the highest level of value-added equipment and services to customers for all of their needs. Additionally, this level of integration guarantees a seamless supply chain that is transparent to the customer.

This year, C-MAC primarily manufactured communications systems that form the backbone of the public telephone voice network. After completing the assimilation of the new facilities into the group, the major focus for the

upcoming year will include satisfying the rapidly growing demand for optical networking equipment that handles Internet and other data traffic. The Montreal facility will be dedicated solely to this cutting-edge technology, while the Monkstown and Creedmoor facilities will provide both voice and data optical networking products.

Capabilities in both voice and data equipment position Network Systems to serve a communications industry undergoing dramatic change. The existing telephone voice network is being supplemented and will eventually be replaced by the data networks required for Internet traffic. As recently as five years ago, data represented a mere fraction of telecommunications traffic. Today, data transmission represents 80% of the traffic in North America, with voice making up the remainder. The development of manufacturing expertise in data products coupled with our rapid expansion of manufacturing capacity has prepared C-MAC for the markets and customer requirements of the future. It is clear that C-MAC is poised for dramatic success.



...satisfying the rapidly growing demand for optical networking equipment that handles Internet and other data traffic.

Interconnect Products

The West Palm Beach, Florida facility stands out as a center of excellence for the Interconnect Product line. New products are designed, developed, debugged, and cost-improved here before being sent on to facilities in North America, Europe or Asia for production.

Expansion of our North American and International sales organization supports the forging of relationships with major OEMs in telecom and other sectors. Our supplier-on-site program continues to support close partnerships with customers. As a result, technology details are shared at a higher level of the design and development cycle for the benefit of both sides. Customers, in particular, see the immediate benefits in accelerated time to market for their new products.

Increased demand for existing products, combined with the introduction of new lines, has resulted in a substantial increase in sales. New product lines addressing the growing broadband market were introduced during 1999. They include both access equipment and switching equipment products that represent significant growth opportunities for the future. These products address the market demand for multi-service switching that combines ATM, frame relay, IP and telephony technology. They constitute a high-capacity communications channel in which the C-MAC-produced backplane serves as the network backbone.

Other new capabilities were added during 1999. More high-capacity SMT assembly was installed to accommodate the trend toward active, large area backplanes, while the addition of enhanced testing capacity has ensured 100% electrical reliability. Additional injection molding equipment has been installed to satisfy the increased internal requirement for molded components. Further, to meet the demand of our worldwide facilities for innovative and cost-effective manufacturing solutions, the "Advanced Machine Development" team increased its production of C-MAC proprietary assembly equipment, while raising the technology bar on machine performance and capability.

New capabilities, programs, and customers contributed to an outstanding 1999 for the Interconnect Products facility in Sherbrooke, Quebec. With the focus of this facility being redirected to backplane assembly, electrical test capacity was increased and 2mm connector technology was added. In line with our intra-product line manufacturing support philosophy, the card cage assembly areas were transferred to other Electronic Systems facilities in Sherbrooke and Winnipeg, making room for the anticipated increase in backplane business. New programs involving next generation optical carrier systems were started in 1999 and will contribute to a strong performance in 2000.

Electronic Manufacturing Services

EMS successfully leveraged our new sheet metal and engineering acquisitions to fulfill their "Design-to-Distribution" philosophy. New programs in the telecom, automotive, and aerospace sectors expanded our assembly and integration expertise. In fact, the Sherbrooke facility is moving to the top of the technology pyramid, fully assembling and functionally testing powered systems that integrate the sheet metal chassis, multilayer backplanes, and PCB modules that are individually produced by various C-MAC facilities.

The automotive market presented us with some challenges as we learned how to use a metalized plastic substrate for automotive products. This called for a unique manufacturing process that we were able to develop successfully to address associated assembly requirements. We are steadily working toward QS 9000 certification in order to satisfy the expectations of our automotive customers and support our position in the automotive market. The Winnipeg operation has become a key element in a major customer's outsourcing strategy, significantly contributing to the growth of Electronic Systems in 1999. Additionally, Winnipeg's aerospace and telecom experience convinced a major aerospace contractor to award us a contract that brings their unique technology into the telecom market for the first time.

Two recently acquired operations will provide the competence and capacity to expand our full system integration service into a variety of markets. The C-MAC Laval facility brought in a high level of board assembly expertise. It is well equipped with the latest in high-speed assembly equipment, enhances our existing BGA capability, and contributes microBGA technology, all of which are critical to future board assembly. The C-MAC Kanata operation adds a critical RF capability to the Electronic Systems technology portfolio. The facility is fully compliant with IPC-610, Class 3, reinforcing existing facilities with state-of-the-art high frequency RF manufacturing and test capabilities.

The combination of these four strategically located facilities with such a broad range of expertise will open up many exciting opportunities to serve both existing and new customers in 2000.

We are steadily working toward QS 9000 certification in order to satisfy the expectations of our automotive customers and support our position in the automotive market.

Printed Circuit Board

Carolina Circuits features prominently as a strategic element in our supply-chain management. This PCB fabrication facility, located in Greenville, South Carolina, provides complex, multilayer, large area backpanels, daughter cards and circuit packs for a variety of markets and applications. New equipment is being installed and selected processes are being modified to increase the operation's capacity and capability. Product and process research on high speed and circuit density development is ongoing. The management team is confident that, with increased throughput paired with related process improvements, this business unit should experience significant growth in 2000.

Precision sheet metal Products

Two acquisitions in 1999 brought precision sheet metal capabilities to our global manufacturing network. Metaltek experienced unprecedented growth during the year without sacrificing quality or customer service. Through demonstrated market competitiveness, Metaltek has become a key source of synergy. A new outdoor enclosure designed for telecom applications and released this year was well received by market leaders and furnishes a platform for future standard products. A recent rationalization of our component manufacturing has enhanced efficiencies. We have developed strategic supply partners who now manage the fabrication of select components, optimizing our business, improving productivity, and increasing profitability.

A more recent acquisition, Blue Star Engineering (located in the UK), strengthens our European presence, expands our customer base, and contributes additional capabilities. Their zinc and Alochrom finishing facilities broaden our global sheet metal portfolio. Additionally, the standard they set for in-house fabrication of complex tooling and fixtures will be emulated to enable multi-site component fabrication.

Packaging Systems

The CompactPCI open-bus computer architecture specification has continued to drive the Packaging Systems business unit. Its unique engineering expertise lies in blending the CompactPCI specification with the customer's special design criteria to provide truly unique system solutions that are differentiated from those who only offer standard products. The same is true of the VME bus business, which continues to see new design applications. Our marketing strategy has focused on cultivating relationships with smaller emerging companies that are developing leading-edge technologies, while actively maintaining existing relationships with larger, established OEMs. The strong growth experienced by Packaging Systems indicates that this strategy is working. In fact, our business position has been reinforced by the acquisition of some of these smaller high-tech companies by the major OEMs.

Energy and Electronic Cash Products

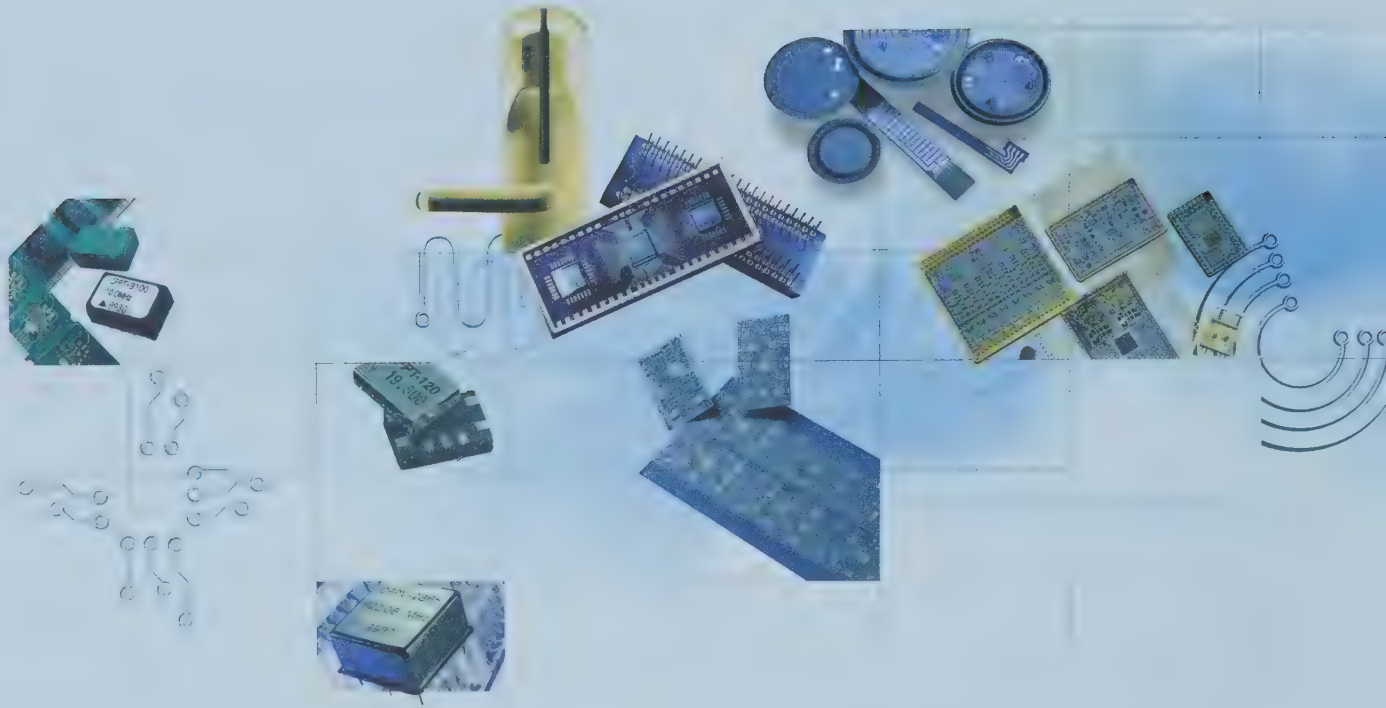
The Energy and Electronic Cash Products Group has strong expertise in product design and development for the energy and electronic cash sectors. In fact, C-MAC continues to develop its expertise in energy management by strengthening its long term relationship with Hydro-Quebec through home automation and power quality instrumentation projects. Our relationship with the Royal Bank allowed us to better understand customers' requirements in the smart-card industry and to develop electronic wallets for the bank's customers.

In the power quality instrumentation sector, our feature product the Mini-AQO, which was developed jointly with Hydro-Québec has become a reality. In fact, we have already filled orders from Canadian and international utilities. This versatile, portable unit is expected to generate greater sales internationally in 2000. Other projects with Hydro-Québec and Électricité de France should also generate good sales for the RTU-AQO, a product extension that uses the same processing hardware but on a fixed platform.

Next year, the thermostat product line will be expanded to the European market. In Quebec and the rest of Canada, the market is still large, with millions of line-voltage thermostats to be replaced by our ISO-THERM 3000.

Royal Bank customers can use the new C-MAC electronic wallet to transfer electronic cash from person to person. We also take pride in having worked with the Royal Bank to deliver Canada's first MULTOS-compatible electronic wallet.





B+L Technologies, acquired in 1999 as a business unit of LG Technologies, is a major manufacturer of voltage reducers and electronic ballast for the lighting industry. Its business focus has good synergies with the existing C-MAC products group.

Integrated Microelectronic Solutions

The rapidly converging strategies of thick-film microcircuits and frequency products were recognized. C-MAC microtechnology activities are now involved in every stage of the fabrication of hybrid microcircuits, from design to manufacturing, using state-of-the-art technologies. On the frequency product side, C-MAC offers a full range of products and technologies from low-end oscillators to highly sophisticated TCXOs, VCXOs, OCXOs and SAWs. Further integration strengthened C-MAC's expertise with the acquisition of two low-temperature co-fired ceramic (LTCC) operations to form a broad technology-based company focused on "communications" within the telecommunications, military, space and automotive markets.

C-MAC microtechnology activities are now involved in every stage of the fabrication of hybrid microcircuits, from design to manufacturing, using state-of-the-art technologies.

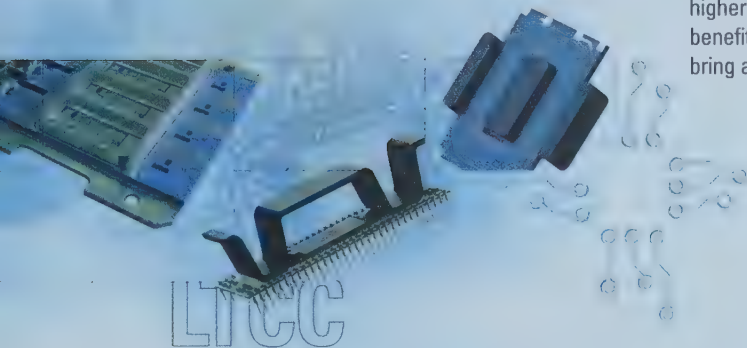
Extensive growth in the communications market, driven by personal communications and the need for bandwidth to service the growing requirements for voice, data and video, was a key factor in the microtechnology expansion in 1999

The combination of Scrantom Engineering and C-MAC GmbH extends C-MAC's present reach in the military, automotive, and communications markets.

Technologies that provide integrated product solutions for our customers continue to underpin our success. LTCC technology has been developing over the past decade and C-MAC acquired two facilities with different but complementary capabilities in 1999. LTCCs can withstand harsh environmental conditions ranging from hot, abrasive ABS braking systems to very low temperature in space satellites. Their high frequency electrical characteristics and very high circuit density will enhance C-MAC's continuous growth in the wireless business, while the low costs achieved at high volumes will fuel our penetration of the automotive product market.

C-MAC Microcircuits GmbH in Villingen, Germany, is a highly automated state-of-the-art manufacturing company using an innovative zero-shrink process. The facility focuses on high-volume applications for the automotive and wireless communication sectors. An automated chip-on-board (COB) capability marks another commitment to satisfying the demands of partners in the automotive market.

C-MAC acquired Scrantom Engineering (now C-MAC Scrantom) located in Costa Mesa, California, to complement the Villingen LTCC capability. It focuses on complex aerospace, military, and high-end wireless communication products. The C-MAC Scrantom LTCC is "free-shrink" technology allowing the integration of a range of passive components within the LTCC structure. We call these "active substrates" and such innovative integration presents opportunities for addressing key market requirements for miniaturization, higher operating frequencies, and greater functionality per unit area. These benefits, coupled with an ability to form cavities within the body of the LTCC, bring a new dimension to high frequency module integration and packaging.



Both the Chinese and South American markets represent enormous growth potential that warrants a local presence.

The combination of Scrantom Engineering and C-MAC GmbH extends C-MAC's present reach in the military, automotive, and communications markets. In addition, it is strategic to our future growth into markets such as consumer products and aerospace. It is synergistic with thick-film microcircuit technology and extends current capability into high layer count solutions

During the year, further developments in fine-line, thick-film technology significantly strengthened Microcircuits' position in RF power amplifier applications. Crystal oscillator development has focused on miniaturization and new ASICs in response to our customers' future requirements. All developments fit into a long term integration strategy using the total technology base.

Local Support on a Global Basis

C-MAC's international operations in England and China exceeded business performance expectations. The Harlow business unit significantly broadened its customer base in the UK, mainland Europe, and the Middle East during 1999. Products and services were expanded to include surface-mount assembly, increased test capacity, and sheet metal assembly. This necessitated a doubling of the allocated facility space in the Harlow building to accommodate new C-MAC assembly automation machines and increased test capacity.

SMT and backplane test capability has been added to the China facility to support a considerable upswing in production of backplanes for both the domestic and export markets. The success of our worldwide manufacturing support strategy is becoming more evident. We are extremely proud of our Chinese facility, which will play a key role in supporting our increasing output in the new millennium. In fact, backplanes assembled in China are now being exported to Ireland for integration into Enterprise Equipment switching gear destined for the European and Asian markets.

Capital investments to support business growth and competitiveness have also been directed towards multiple automated print-and-fire equipment, flexible high-volume SMT, and high-capacity wire bonders. The competitive advantages of our Chinese and Indian facilities are being deployed in full. We doubled factory space at C-MAC Centum (Bangalore) in 1999 and successfully completed the transfer of specific frequency products for total assembly in India.

In support of our philosophy of providing local support on a global basis, we are evaluating further strategic locations. A sales and customer-support office has been set up in Hong Kong to support existing customers and fuel expansion throughout the Pacific Rim. Both the Chinese and South American markets represent enormous growth potential that warrants a local presence.

Recognizing and addressing our business needs back in 1991 and establishing a realistic vision for the future contributed to a decade of success. As we begin the next millennium, C-MAC will maintain the course of our strategic plan, focusing on continued diversification, increasing capacity to meet demand, and moving ahead with facility expansion to remain close to customers. We will continue to target customers in a broad range of markets, delivering exceptional value by empowering our people, expanding the products and services we offer, using our leading-edge design and manufacturing capabilities, and investing in advanced technology development. In short, C-MAC will remain the standard against which other providers of manufacturing services are measured.

C-MAC supports the community by contributing to educational institutions, to the health care sector, and to institutions promoting the arts.

Social Responsibility

Since the safety and health of staff and employees figure prominently among C-MAC concerns, we invest time, effort, and money to create and maintain pleasant and safe environments in our facilities. We also pay particular attention to environmental protection, which has a positive impact on community well-being.

In looking outward towards the greater community, C-MAC supports the community by contributing to educational institutions, to the health care sector, and to institutions promoting the arts.

C-MAC hosts many junior college and university students, worldwide, who come to our facilities to deepen their knowledge through paid and unpaid on-the-job training (internships). In addition, C-MAC's matching gifts program was established to recognize the importance of higher education to the continued growth of the company and community. It encourages individual employee contributions to colleges and universities by matching their gift.

C-MAC makes significant donations to the foundations of both Université de Sherbrooke and Bishop's University in Lennoxville. We also donate to the Richard J. Schmeelk Canada Foundation, which awards the Schmeelk Canada Fellowships.

In keeping with our concern about health care, C-MAC contributes to various institutions and foundations active in different fields, such as the Montreal Heart Institute Research Fund, the Montreal Children's Hospital Foundation, La Fondation de l'Hôpital La Providence Magog, St Clares Hospice (UK) and La Maison Aube-Lumiere (hospices for cancer patients), and the Butters Foundation (for the intellectually handicapped). In addition, C-MAC provides financial assistance to human service agencies through the United Way.

C-MAC also recognizes the importance of the arts to society and supports endeavors in a number of areas. We contribute to Les Concerts symphoniques de Sherbrooke, in particular through significant donations to its development fund. For some years now, we have also supported the Orford Arts Centre, an institution dedicated to musical performance and, more importantly, to the musical education of talented young people from Canada and elsewhere. Contributions to the Orchestre métropolitain de Montréal and L'International du cinéma de l'Estrie round out our support of the performing arts. Lastly, we promote sports in the province through the Fondation des Jeux de Quebec.

As regards environmental protection, in 1995 C-MAC adopted an environmental policy and established rules governing its implementation. Since then, individuals in charge of environmental issues in each facility have implemented continuous-improvement practices aimed not only at ensuring rigorous respect for environmental legislation but also at promoting waste prevention and minimization (re-use) as well as recycling of the maximum possible amount of waste.



Teamwork, Technology and Trust™



Analysis of Financial Results of Operations by Management

In January 2000, the Corporation completed a two-for-one stock split. As a result, all per-share results are presented on a post-split basis.

Revenue

C-MAC's consolidated operating revenue increased from \$646 million as at December 31, 1998 to \$1.2 billion on December 31, 1999. This 85% increase is attributable to internal growth and consolidation of revenues from facilities acquired in 1999, and includes the consolidation for a full twelve-month period of the Creedmoor facility in North Carolina, USA.

This growth in revenue impacted the Corporation's net earnings, which rose from \$25.4 million in 1998 to \$45.2 million in 1999, an increase of 78%. Net earnings before goodwill amortization increased by 83% from \$26.8 million in 1998 to \$49.0 million in 1999. The increase in profitability is a result of increased volume in almost all of our manufacturing units, improved profitability in our frequency products units and newly acquired facilities.

Geographic Distribution of Revenue



1999 Revenue per Region
(Shipped from)

United States	/ 52%
Canada	/ 26%
Europe	/ 21%
Asia and others	/ 1%



1999 Revenue per Region
(Shipped to)

United States	/ 50%
Canada	/ 27%
Europe	/ 19%
Asia and others	/ 4%

Shipped From:

In 1999, sales generated in Canada amounted to \$351 million, compared to \$138 million in 1998. Of this 1999 amount, \$207 million represents the domestic market, while \$98 million was exported. Sales originated from the United States represented \$604 million, compared to \$337 million in 1998. In Europe, our revenues reached \$248 million in 1999, compared to \$178 million in 1998.

Given that our Indian operation is accounted for in the Asian group, our sales in this part of the world increased to \$11 million in 1999, compared to \$1.2 million in 1998.

Shipped To:

Canadian sales amounted to \$318 million, constituting 27% of total revenue in 1999, compared to 16% in 1998. USA sales reached \$586 million in 1999, representing 50% of total revenue, compared to \$355 million (55% of revenue) in 1998. Sales to European clients were \$221 million in 1999, representing 19% of total revenue, compared to \$152 million in 1998 (24% of revenues).

Revenue
(\$ in millions)

99	/ 1,175
98	/ 646
97	/ 414
96	/ 318
95	/ 265

Net Earnings
before Goodwill
Amortization
(\$ in millions) / (continuing operations)

99	/ 49.0
98	/ 26.8
97	/ 20.4
96	/ 14.7
95	/ 8.4

Order Book

The order book of deliverables for the upcoming year as at December 31, 1999 was \$500 million, an increase of 59% in comparison to the 1998 figure of \$315 million.

Gross Margin

The Corporation gross margin slipped from 18.6% in 1998 to 17.4% during the fiscal year. As mentioned in prior years, the reduction of gross margin results from acquisitions, which had higher material content. Despite the lower gross margin on a yearly basis, we have seen improvements through the year. This improvement was a result of the implementation of measures to reduce equipment costs, improve productivity, and maximize production capacities.

The Corporation is doing what is necessary to achieve one of its main goals, namely increasing its profit margins.

As a result of investments in past years and additional volume, selling and administration expenses decreased from 6.9% of revenues in 1998 to 5.7% in 1999. The improvement observed in the second half of 1998 continued into 1999.

Amortization

Amortization costs amounted to \$22.8 million in 1999, compared to \$11.8 million in 1998. In addition, the Corporation had a goodwill amortization (net of income tax) of \$3.9 million, compared to \$1.3 million in 1998. As forecasted, amortization represents a higher percentage of revenue, mainly due to acquisitions and significant investments in capital assets

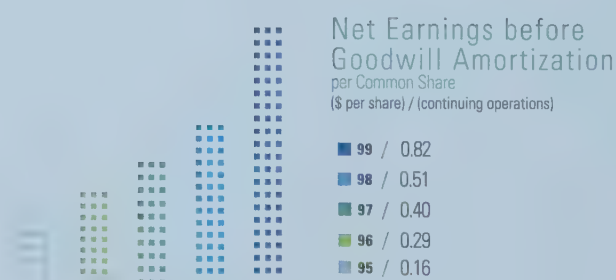
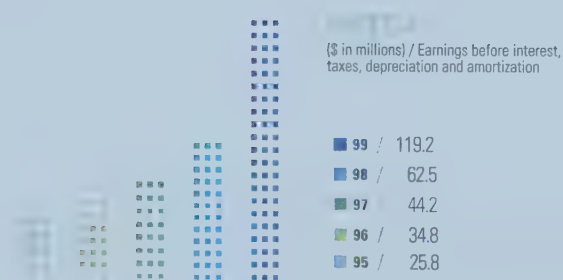
Provision for Income Taxes

Provision for income taxes totaled \$27.4 million or 35.5% of earnings in fiscal 1999; this represents a decrease of 0.9% as compared with 1998.

Earnings

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached \$119.2 million or 10.2% of revenue in 1999, as compared with \$62.5 million or 9.7% of revenue in 1998, representing growth of 91%. Net earnings increased by \$19.8 million to reach \$45.2 million (or \$0.76 per share), as compared with \$25.4 million (or \$0.49 per share) in 1998, representing growth of 78%.

Net earnings before goodwill amortization increased by \$22.2 million to \$49.0 million or 83%. On a per-share basis, earnings before amortization increased from \$0.51 in 1998 to \$0.82 in 1999.





Cash Flow
(\$ in millions) / (continuing operations)

99	/	83.8
98	/	47.4
97	/	29.1
96	/	23.4
95	/	17.2



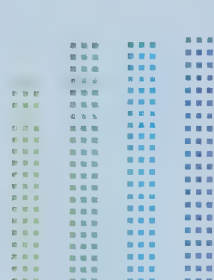
Cash Flow per Share
(\$ per share) / (continuing operations)

99	/	1.40
98	/	0.91
97	/	0.57
96	/	0.46
95	/	0.29



Shareholder's Equity
(\$ in millions)

99	/	524
98	/	260
97	/	153
96	/	131
95	/	114



Weighted Average Shareholders' Equity

99	/	14.8%
98	/	14.5%
97	/	14.5%
96	/	12.2%
95	/	9.5%

Liquidity and Capital Resources

Cash flow from operations increased to \$83.8 million (or \$1.40 per share), as compared with \$47.4 million (or \$0.91 per share) in 1998, reflecting an increase in earnings and amortization during the year. Cash flow from operations allowed the Corporation to meet working capital needs and capital expenditures of \$114.4 million. In order to finance new acquisitions totaling \$131.4 million, the Corporation increased its long term debt by \$54.6 million.

In November of the fiscal year, the Corporation issued 6 million shares for net proceeds of \$176 million.

Thus, as at December 31, 1999, the Corporation had working capital of \$305.0 million and a current ratio of 1.74. At the end of 1998, working capital was at \$182.7 million and the current ratio was 1.98. Cash and term deposits as at December 31, 1999, were \$269.3 million, for a significant increase over 1998.

The Corporation has unsecured revolving credit of US\$355.0 million and has set up second ranked debentures for US\$110 million for ten years. The Corporation is well positioned to pursue its acquisitions strategy in its activity sectors, which will favor continued growth and improved profitability.

Shareholders' Equity

As at December 31, 1999, shareholders' equity was \$523.8 million. Return on weighted average shareholders' equity improved to 14.8% from 14.5% the previous year.

Risks and Uncertainties

Although revenue from other sectors is expected to gradually increase, sales in the communications sector will remain the Corporation's mainstay over the next few years.

Accelerated growth in the new telecommunication networks worldwide is resulting in increased demand for the Corporation's products. If this trend were to reverse, the Corporation's revenues from telecommunications products could be negatively affected.

The highly competitive communications industry is marked by rapid technological change with consequent product obsolescence. There is a need for continual product evolution and new product development.

Moreover, competition in pricing is fierce. To consolidate strengths in responding appropriately to competition in this climate, the Corporation must maintain its capacity to reduce costs. Pressure on prices will remain high in the coming years.

The Corporation's sales depend somewhat on the production level of North American communications OEMs, which are, in turn, sensitive to the strength of the economy. Adverse changes in the economy could have a negative impact on the Corporation's financial results. On the other hand, the Corporation is not highly dependent on its suppliers, because it generally uses raw materials available from a number of sources.

The Corporation presents its financial statements in Canadian dollars. Given that it operates facilities in nine countries and draws 74% of its revenue from abroad, the Corporation could be adversely affected by exchange-rate fluctuations. To manage exchange-rate risks, in the course of normal operations, it concluded forward currency-exchange contracts. Most of these are in place till 2000. Note 9 in the Consolidated Financial Statements provides details.

The Corporation's policy is, to the extent possible, to finance foreign investments with local currency, which creates a natural hedge. However, in the course of business, the Corporation has regular access to floating and fixed-rate financing. Even though 62% of the Corporation's total revenue derives from several divisions of a major multinational, management is of the opinion that the attendant risks are not great. The multinational in question deals in a great variety of technologies and products, and its divisions are autonomous as to supply.

Consolidated Financial Statements of
C-MAC Industries Inc.
Years ended December 31, 1999 and 1998

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Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of C-MAC Industries Inc. are the responsibility of management and are approved by the Board of Directors of C-MAC Industries Inc.

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgments.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.



Dennis Wood
Chairman and Chief
Executive Officer



Robert Coallier
Vice-President and
Chief Financial Officer

Montréal, Canada
February 3, 2000

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of C-MAC Industries Inc. as at December 31, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Montréal, Canada
February 3, 2000

C-MAC Industries Inc.
Consolidated Balance Sheets

December 31, 1999 and 1998
(In thousands of dollars)

	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	\$ 269,262	\$ 147,665
Trade receivables	249,728	116,312
Income taxes receivable	—	4,915
Inventories (note 4)	190,853	94,674
Prepaid expenses	6,582	5,499
	716,425	369,065
Capital assets (note 5)	190,842	134,572
Goodwill, net of accumulated amortization of \$6,927 and \$2,052, respectively	240,799	64,377
Other assets	10,526	16,903
Deferred income taxes	3,316	—
	\$ 1,161,908	\$ 584,917
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 108,489	\$ 31,732
Accounts payable and accrued liabilities	290,179	148,751
Income taxes payable	8,561	—
Current portion of long-term debt	4,205	5,851
	411,434	186,334
Long-term debt (note 6)	209,156	131,026
Other liabilities	15,194	3,087
Deferred income taxes	—	2,546
Non-controlling interest	2,295	1,607
Shareholders' equity:		
Share capital (note 7)	388,274	155,592
Retained earnings	134,879	89,707
Cumulative translation adjustment	676	15,018
	523,829	260,317
	\$ 1,161,908	\$ 584,917

Commitments and contingencies (note 8)
See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director
Dennis Wood

Director
André Boutin

C-MAC Industries Inc.**Unaudited Statements
of Earnings and Retained Earnings****Years ended December 31, 1999 and 1998**

(In thousands of dollars, except earnings per share data)

	1999	1998
Revenue	\$ 1,174,602	\$ 645,503
Operating expenses:		
Cost of goods sold	970,701	525,504
Selling and administrative	67,482	44,620
Research and development	17,196	12,852
Amortization	22,844	11,841
	1,078,223	594,817
Earnings from operations	96,379	50,686
Financial expenses (note 10)	19,094	8,619
Earnings before income taxes, non-controlling interest and goodwill amortization	77,285	42,067
Income taxes (note 11):		
Current	18,526	6,447
Deferred	8,873	8,860
	27,399	15,307
Non-controlling interest	854	—
Net earnings before goodwill amortization	49,032	26,760
Goodwill amortization (net of income tax of \$1,015 and \$350, respectively)	3,860	1,342
Net earnings	45,172	25,418
Retained earnings, beginning of year	89,707	64,958
	134,879	90,376
Premium on redemption of common shares	—	669
Retained earnings, end of year	\$ 134,879	\$ 89,707
Earnings before goodwill amortization per share	\$ 0.82	\$ 0.51
Earnings per share	\$ 0.76	\$ 0.49
Weighted average number of outstanding common shares giving effect retroactively to the two-for-one stock-split (in thousands) (note 7)	59,830	52,082

See accompanying notes to consolidated financial statements.

C-MAC Industries Inc.
Consolidated Statements
of Cash Flows

Years ended December 31, 1999 and 1998
(In thousands of dollars)

	1999	1998
Cash flows from operating activities:		
Net earnings	\$ 45,172	\$ 25,418
Adjustments to reconcile net earnings to cash provided by operating activities:		
Capital asset amortization	21,258	11,650
Goodwill amortization	4,875	1,692
Other assets amortization	2,788	439
Deferred income taxes	8,873	8,860
Non-controlling interest	854	—
Other	(44)	(696)
Cash flows from operations	83,776	47,363
Net change in operating assets and liabilities, net of acquisitions (note 14)	(74,355)	(10,290)
Cash provided by operating activities	9,421	37,073
Cash flows from financing activities:		
Increase in bank indebtedness	58,462	12,755
Repayment of long-term debt	(142,020)	(13,820)
Increase in long-term debt	196,667	124,359
Redemption of common shares	—	(781)
Issuance of common shares	175,743	74,281
Cash flows from financing activities	288,852	196,794
Cash flows from investing activities:		
Additions to capital assets	(40,028)	(18,453)
Business acquisitions (note 3)	(131,386)	(115,595)
Other	2,591	(4,946)
Cash flows from investing activities	(168,823)	(138,994)
Impact of changes in exchange rates	(7,853)	5,940
Net change in cash and cash equivalents	121,597	100,813
Cash and cash equivalents, beginning of year	147,665	46,852
Cash and cash equivalents, end of year	\$ 269,262	\$ 147,665
Supplemental cash flow information:		
Cash paid during the year:		
Interest	\$ 19,222	\$ 8,180
Income taxes	6,901	4,637
Cash received during the year:		
Interest	7,472	2,239

See accompanying notes to consolidated financial statements.

C-MAC Industries Inc.

Notes to Consolidated Financial Statements
(Table: amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

C-MAC Industries Inc. is incorporated under the *Canada Business Corporations Act* and is a leading internationally diversified EMS Company specialized in the design and fabrication of integrated electronic manufacturing solutions from components to full system level, primarily to the communications, automotive, instrumentation, defence and aerospace equipment markets world-wide.

1. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of C-MAC Industries Inc. and all its subsidiaries (the "Company") and have been prepared in accordance with generally accepted accounting principles in Canada.

(b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of assets for amortization, evaluation of the impairment of assets, assets acquired and liabilities assumed in a purchase combination, provision for income taxes and the determination of fair value of financial instruments. Financial results as determined by actual events could differ from those estimates.

(c) Cash and cash equivalents:

Cash equivalents consist of commercial paper and other investments that are readily convertible into cash, have original maturities of three months or less and are stated at cost, which approximates market value.

(d) Inventory valuation:

Finished goods and goods in process are valued at the lower of cost and net realizable value, and raw materials are valued at the lower of cost and replacement cost. Cost is determined using the first in, first out method.

(e) Capital assets:

Capital assets are stated at cost. Cost represents the cost of acquisition or construction, including preparation and testing charges and financing costs incurred with respect to the capital assets until the beginning of commercial production.

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

1. Significant accounting policies (continued):**(e) Capital assets (continued):**

Amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Leasehold improvements	Term of lease
Machinery and equipment, furniture and fixtures	3 to 10 years

(f) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets of the businesses acquired at the time of their acquisition and is amortized on a straight-line basis over 25 years. The Company monitors its goodwill balances to determine whether any impairment of these assets has occurred. Where circumstances or events indicate a possible inability to recover the carrying amount of goodwill related to a business acquisition, the Company evaluates, on an undiscounted basis, the cash flows of underlying businesses, which gave rise to the goodwill. No such events or circumstances have occurred during the year.

(g) Revenue recognition:

The Company recognizes revenue from manufacturing services at the time of product shipment. Where appropriate, provisions are made at that time for estimated warranty and return costs.

(h) Foreign currency translation:

Financial statements of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of shareholders' equity and are included in income only when a reduction in the investment in these foreign operations is realized.

Foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income, except for unrealized gains and losses arising from the translation of long-term monetary liabilities which are deferred and amortized over the remaining life of the related item.

(i) Research and development:

Research and experimental development expenditures are charged to earnings, net of related research and development tax credits, in the year in which they are incurred.

(j) Deferred income taxes:

The Company does not accrue for taxes that will be incurred upon distributions from its subsidiaries unless it is established that it is probable that the earnings will be repatriated.

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

1. Significant accounting policies (continued):

(k) Defined Contribution Pension Plan:

The Company has defined contribution pension plans for certain of its employees. The Company's contributions, which are principally based on a percentage of employee's annual base compensation are charged against income as incurred.

(l) Share option:

The Company has a share option plan, which is described in note 7. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

(m) Financial instruments:

Financial instruments are accounted for at the historical cost which, unless otherwise indicated, is approximately equal to the fair value.

The following accounting policies are used for financial instruments:

i) Fixed interest rate agreements:

Interest differentials created by the utilization of fixed interest rate agreements are amortized over the duration of the agreements.

ii) Foreign exchange forward contracts:

The Company uses foreign exchange forward contracts as a hedge for specific cash flows, for raw materials and equipment purchases and for revenues from specific sales transactions in foreign currencies. These transactions are accounted for at the rates of the related forward contracts.

2. Accounting change:

Effective in 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow statements. The standard requires that, among other things, non-cash items be excluded from investing and financing activities and disclosed elsewhere in the consolidated financial statements in a way that provides all relevant information about investing and financing activities. Changes in short-term borrowings, other than overdrafts which are an integral part of the day-to-day cash management process, are accounted for as financing activities. The standard requires retroactive application with prior comparative information being restated.

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

3. Business acquisitions:

1999 acquisitions:

(a) R&M Metaltek inc. (Canada):

In January 1999, the Company acquired a 100% interest in R&M Metaltek inc. for a total consideration of \$10,978,000, including the issuance of 160,000¹ common shares for \$2,024,000 and excluding the assumption of debts. The Company financed this business acquisition through its existing credit facilities and issued common shares. R&M Metaltek inc. is a highly flexible manufacturer of precision sheet metal.

(b) Scrantom Engineering Inc. (USA):

In March 1999, the Company acquired a 100% interest in Scrantom Engineering Inc. for a total consideration of \$2,400,000 before a contingent consideration of a maximum of \$4,690,000 based on future earnings until 2002. Any additional consideration will be recorded as an increase to goodwill. The Company financed this business acquisition through its existing credit facilities. Scrantom Engineering Inc. is a provider of low temperature co-fired ceramic modules.

(c) C-MAC GmbH Villingen (Germany):

In April 1999, the Company acquired a division of Deutsche Thomson-Brandt located in Villingen Germany for a total consideration of \$7,507,000. The Company financed this business acquisition through its existing credit facilities. C-MAC GmbH Villingen is a provider of low temperature co-fired ceramic modules.

(d) C-MAC Kanata Inc. (Canada):

Effective July 1, 1999, the Company acquired, for approximately \$11,174,000, a manufacturing facility and related inventory of SR Telecom Inc., located in Kanata, Ontario. The Company financed this business acquisition through its existing credit facilities. Concurrently, the Company signed a five-year supply agreement with SR Telecom Inc. for a family of wireless local loop products.

(e) LG Technologies Group Inc. (Canada):

In September 1999, the Company acquired 100% interest in LG Technologies Group Inc., a Montreal-based electromechanical systems assembly and EMS company, for a total consideration of \$43,325,000 paid by the issuance of 2,334,928¹ common shares.

¹ Giving effect retroactively to the two-for-one stock-split (note 7)

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)

(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

3. Business acquisitions (continued):

1999 acquisitions (continued):

(f) C-MAC Networks (Canada & Ireland):

In September 1999, the Company acquired certain assets of a division of Nortel Networks Corporation ("Nortel") in Monkstown associated with the electromechanical subsystems assembly design and manufacturing operations of Nortel's carrier business for a total consideration of \$74,843,000. The Company financed this business acquisition through its existing credit facilities. Concurrently, the Company entered into a three-year supply agreement with Nortel. The Company is also committed to acquire during 2000 additional assets of approximately \$15,000,000 from Nortel.

(g) Blue Star Engineering Ltd. (England):

In October 1999, the Company acquired a 100% interest in Blue Star Engineering Ltd. for a total consideration of \$36,774,000. The Company financed this business acquisition through its existing credit facilities and through the issuance of 604,440¹ common shares for \$11,590,000. Blue Star Engineering Ltd. is a leading European manufacturer of metal enclosures and accessories.

1998 acquisitions:

(a) Compagnie d'Électronique et de Piézo-Électricité (CEPE) and SAS-Argenteuil S.A. (France):

In January 1998, the Company acquired a 100% interest in Compagnie d'Électronique et de Piézo-Électricité (CEPE) and in SAS-Argenteuil S.A. for a total consideration of \$3,127,000, excluding the assumption of debts. The Company financed this business acquisition through its existing credit facilities. Compagnie d'Électronique et de Piézo-Électricité (CEPE) is a designer and a manufacturer of high technology frequency products.

(b) IQD Limited (England):

In February 1998, the Company acquired a 100% interest in IQD Limited for a total consideration of \$9,278,000. The Company financed this business acquisition through its existing credit facilities and notes payable in the amount of \$5,164,000. IQD Limited is a reseller and a manufacturer of frequency products.

(c) C-MAC Networks Systems (United States):

In July 1998, the Company acquired the Northern Telecom Creedmoor Facility for a total consideration of \$81,759,000. The Company financed this business acquisition through its existing credit facilities. The Creedmoor Facility designs and manufactures various parts in addition to assembling and testing frames and cabinets.

¹ Giving effect retroactively to the two-for-one stock-split (note 7)

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

3. Business acquisitions (continued):

(d) Carolina Circuits (United States):

In December 1998, the Company completed the acquisition of the facility of Carolina Circuits Co. for a total consideration of \$26,595,000. The Company financed this business acquisition through its existing credit facilities. Carolina Circuits designs and manufactures high density, high layer-count circuit boards.

These acquisitions were accounted for using the purchase method. Aggregate details of acquisitions are as follows:

	1999	1998
Assets acquired:		
Current assets	\$ 96,408	\$ 47,543
Capital assets	42,910	48,170
Goodwill	186,026	57,758
Other assets	456	304
Deferred income taxes	15,263	7,666
	341,063	161,441
Liabilities assumed:		
Bank indebtedness	19,473	893
Other current liabilities	94,050	37,070
Long-term debt	31,804	629
Other liabilities	8,735	2,090
	154,062	40,682
Net assets acquired at fair value	\$ 187,001	\$ 120,759

	1999	1998
Consideration:		
Cash	\$ 130,062	\$ 115,595
Common shares	56,939	—
Notes payable	—	5,164 (i)
	\$ 187,001	\$ 120,759

(i) Of this amount, \$1,324,000 has been paid throughout 1999.

While the Company has not yet finalized some of the 1999 purchase price allocations, the excess of the cost over the market value of the net assets acquired is estimated to be \$186 million. The Company does not expect that the final allocation of purchase price for the acquisition will produce materially different results from those reflected herein.

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)

(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

4. Inventories:

	1999	1998
Raw materials	\$ 117,863	\$ 51,543
Goods in process	52,669	27,531
Finished goods	20,321	15,600
	\$ 190,853	\$ 94,674

5. Capital assets:

	1999		
	Cost	Accumulated amortization	Net book value
Land	\$ 13,472	\$ —	\$ 13,472
Buildings	53,579	7,164	46,415
Leasehold improvements	10,417	1,708	8,709
Machinery and equipment	144,344	41,280	103,064
Furniture and fixtures	22,028	11,872	10,156
Projects in progress	9,026	—	9,026
	\$ 252,866	\$ 62,024	\$ 190,842

	1998		
	Cost	Accumulated amortization	Net book value
Land	\$ 12,189	\$ —	\$ 12,189
Buildings	45,247	6,565	38,682
Leasehold improvements	2,129	773	1,356
Machinery and equipment	98,244	36,393	61,851
Furniture and fixtures	11,251	3,808	7,443
Projects in progress	13,051	—	13,051
	\$ 182,111	\$ 47,539	\$ 134,572

C-MAC Industries Inc.**Notes to Consolidated Financial Statements**

Years ended December 31, 1999 and 1998

6. Long-term debt:

	Interest rate as at December 31, 1999	Maturity	1999	1998
Revolving bank credit (a)	6.09 %	2005	\$ 45,246	\$ 75,958
Debentures 10 years (b)	6.65 % to 7.55%	2008	158,763	53,666
Notes payable (c)	3.95 %	2003	3,271	4,971
Other debts	Various	Various	6,081	2,282
			213,361	136,877
Current portion of long-term debt			4,205	5,851
			\$ 209,156	\$ 131,026

Installments on long-term debt for the next five years are as follows:

2000	\$ 4,205
2001	1,220
2002	460
2003	782
2004	240

- (a) As at December 31, 1999, the Company had at its disposal revolving bank credit facilities totaling \$355,000,000 US. The credit agreements contain restrictions, including the obligation to maintain certain financial ratios.

The revolving bank credit facilities, bear interest at variable rates based on Libor and/or Bankers Acceptance rates for periods varying generally from one to three months.

- (b) Debentures of US\$35 million, maturing December 31, 2008, redeemable at the option of the issuer on a yearly basis, starting December 31, 2003 and a temporary loan of US\$75 million to be converted into a debenture in US dollars by March 31, 2000, at the option of the Company, maturing December 31, 2008.
- (c) Notes payable in British Pounds and bearing interest at a rate of six months LIBOR less 2.0%. The notes are redeemable at the option of the holders at any time until maturity.

7. Share capital:

Authorized:

Unlimited number of shares without par value:

Common shares, voting and participating

Preferred Class "A" shares, non-voting, non-participating, redeemable at the Company's option at paid-up capital amount or at market value of the consideration received at issuance

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

7. Share capital (continued):

Preferred Class "B" shares, 12% non-cumulative dividend, non-voting, non-participating, redeemable at the Company's option at paid-up capital amount or at market value of the consideration received at issuance

Preferred Class "C" shares, issuable in series, non-voting, ranking prior to the common shares but subordinated to the preferred Class "B" shares with respect to dividends and to the preferred Class "A" and "B" shares with respect to return of capital on dissolution or liquidation of the Company. The Board of Directors is authorized to establish, before issuance, the designation, rights, privileges, conditions and restrictions of each series of shares.

	1999	1998
Issued and fully paid:		
67,583,930 common shares		
(1998 – 58,225,376)	\$ 388,274	\$ 155,592

All the common share and option information has been restated to give effect to the two-for-one stock split that occurred January 14, 2000.

During the year, the Company issued 3,099,368 common shares as consideration for the business acquisitions detailed in note 3. As well, the Company issued 6,000,000 common shares following a public offering and 259,186 common shares through the exercise of stock options, for net proceeds of \$175,743,000.

During the previous year, the Company issued 6,580,334 common shares for a cash consideration of \$74,281,042 and redeemed 71,000 common shares with a stated value of \$112,000 for a cash consideration of \$780,769.

The Company established a common share option plan for certain employees, officers and directors of the Company and its subsidiaries. Under the plan, options to purchase a maximum of 5,000,000 of the Company's shares may be granted at the Board of Directors' discretion. These options must be exercised within a maximum period of ten years.

Year of grant	Subscription price (in dollars)	Number of options outstanding	
		1999	1998
1995	\$1.750 to \$2.050	414,620	495,340
1996	\$2.625 to \$3.025	683,090	815,368
1997	\$5.575	429,338	470,000
1998	\$9.000 to \$12.500	416,468	471,000
1999	\$9.700 to \$29.850	792,500	–
		2,736,016	2,251,708

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars)

Years ended December 31, 1999 and 1998

7. Share capital (continued):

The number of outstanding stock options varied as follows:

	1999	1998
Balance at beginning of year	2,251,708	2,386,386
Granted	811,500	471,000
Exercised	(259,186)	(580,334)
Cancelled	(68,006)	(25,344)
Balance at end of year	2,736,016	2,251,708

The following table summarizes information about stock options outstanding at December 31, 1999.

Range of exercises prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1.750 to \$2.050	414,620	0.3	\$ 1.750	414,620	\$ 1.750
\$2.625 to \$3.025	683,090	6.24	2.840	683,090	2.840
\$5.575	429,338	7.3	5.575	285,939	5.575
\$9.000 to \$12.500	416,468	8.28	11.500	138,684	11.500
\$9.700 to \$29.850	792,500	9.43	14.910	—	—
	2,736,016			1,522,333	

8. Commitments and contingencies:**(a) Leases:**

As at December 31, 1999, the Company had commitments for a total amount of \$8,130,000 under operating leases for buildings, machinery and equipment. Minimum lease payments for the next five years are as follows:

2000	\$ 2,675
2001	2,044
2002	1,656
2003	1,021
2004	734

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

8. Commitments and contingencies (continued):

(b) Environment:

The Company is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to environment protection in general. The Company believes it is in continuing compliance with such laws, regulations and government policies, in all material respects. Furthermore, the Company does not anticipate that the continuing compliance with such environmental statutes will have a material adverse effect upon the Company's competitiveness or consolidated financial position.

9. Financial instruments:

(a) Credit risk:

The Company does not have a significant exposure to any individual customer or counterpart, except as mentioned in note 12. The Company, in the normal course of business, reviews each new customer's credit history and financial statements before extending credit and performs regular reviews of its existing credit performance. The Company may require letters of credit or obtain credit insurance coverage.

(b) Foreign exchange and interest rate risks:

The Company generates significant cash flows in foreign currency and is therefore exposed to risks relating to foreign exchange fluctuations. It is also subject to risks relating to interest rate fluctuations. In order to reduce these risks, the Company uses derivative financial instruments, which are not held or issued for speculative purposes.

Foreign exchange

This risk pertaining to excess foreign currency cash flows is covered with forward exchange contracts. The amounts of outstanding contracts at year-end, presented by currency, are included in the following table. These amounts represent the global monetary value on which each contract is based and not the financial risk nor the debt related to the Company's assets and therefore, are not included in the financial statements.

Currency	Notional amount in \$US	Average rate	Maturity
(sold/bought)			
\$US/\$CDN	\$US 24 million	1.4465	2000

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

9. Financial instruments (continued):

Interest rate swap agreement

On March 14, 1998, the Company entered into an interest rate swap agreement with a financial institution for a maximum principal amount of \$US 18.3 million at a rate of 6.76%, maturing on April 1, 2002.

(c) Fair value of financial instruments:

The carrying amount of cash and cash equivalents, trade receivables, bank indebtedness and accounts payable approximates fair value because of the near maturity of these instruments. The carrying amount of long-term debt bearing interest at variable rates approximates fair value because effective rates represent the rates that should be used to calculate their fair value. Financial instruments having a fair value different from their carrying value as of December 31 are the following:

	1999		1998	
	Carrying value	Fair value	Carrying value	Fair value
Interest rate swap agreement	\$ —	\$ (94)	\$ —	\$ (879)
Foreign exchange forward contracts	—	225	—	(1,418)
Currency swap agreement	—	704	—	(2,297)
Debentures	53,660	45,289	53,666	50,600

10. Financial expenses:

	1999	1998
Interest on long-term debt	\$ 11,242	\$ 6,439
Amortization of deferred financing costs	1,202	248
Interest on bank indebtedness	6,650	1,932
	\$ 19,094	\$ 8,619

C-MAC Industries Inc.*Notes to Consolidated Financial Statements (cont.)*

(All dollar amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

11. Income taxes:

The difference between the effective income tax rate and the basic income tax rate is explained as follows:

	1999	1998
Basic income tax rate	38.0 %	38.0 %
Increase (decrease) of the income tax rate arising from the following items:		
Non-deductible items	0.3	0.2
Manufacturing and processing profits deduction	(2.8)	(1.8)
Effective income tax rate	35.5 %	36.4 %

12. Major customer:

For the year ended December 31, 1999, approximately 62% (1998 - 55%) of the Company's sales were derived from a telecommunications company.

13. Segmented information:

The Company's operations fall into one dominant industry segment, the electronics manufacturing services industry (EMS). The Company monitors enterprise-wide performance based on operating income.

Accounting policies relating to each geographic operating segment are identical to those used for the purposes of the consolidated financial statements. Intersegment sales are made at values which approximate those prevailing in the markets serviced.

	1999	1998
Geographical Activities		
Revenue:		
Canada		
Domestic	\$ 207,383	\$ 84,464
Export	98,277	41,419
Intersegment transfers	44,995	12,336
	350,655	138,219
United States of America	604,423	337,434
Europe	248,159	178,458
Asia	10,855	1,208
Intersegment transfers	142,963	33,493
	1,006,400	550,593
	1,357,055	688,812
Elimination of intersegment transfers	(187,958)	(45,829)
	1,169,097	642,983
Unallocated items	5,505	2,520
Total revenue	\$ 1,174,602	\$ 645,503

C-MAC Industries Inc.

Notes to Consolidated Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Years ended December 31, 1999 and 1998

13. Segmented information (continued):

	1999	1998
Earnings from operations:		
Canada	\$ 44,563	\$ 14,386
United States of America	42,989	31,514
Europe	11,276	1,072
Asia	1,493	(73)
	100,321	46,899
Elimination of intersegment transfers	(9,447)	1,267
	90,874	48,166
Unallocated items	5,505	2,520
Total earnings from operations	\$ 96,379	\$ 50,686
Assets:		
Canada	\$ 800,020	\$ 304,242
United States of America	892,110	616,586
Europe	320,173	148,190
Asia	15,511	4,864
Elimination of intersegment assets	(865,906)	(488,965)
Total assets	\$ 1,161,908	\$ 584,917
Amortization:		
Canada	\$ 6,807	\$ 3,581
United States of America	10,454	3,492
Europe	7,285	8,620
Asia	734	69
	25,280	15,762
Elimination on consolidation	2,439	(2,229)
Total amortization	\$ 27,719	\$ 13,533

14. Net change in operating assets and liabilities, net of acquisitions:

	1999	1998
Trade receivables	\$ (81,019)	\$ (50,725)
Income taxes receivable	5,269	(3,785)
Inventories	(51,533)	(6,973)
Prepaid expenses	357	4,765
Accounts payable and accrued liabilities	49,998	47,758
Income taxes payable	2,573	(1,330)
	\$ (74,355)	\$ (10,290)

C-MAC Industries Inc.

Notes to Consolidated Financial Statements (cont.)
(Tabular amounts are expressed in thousands of dollars.)

Years ended December 31, 1999 and 1998

15. Comparative figures:

Certain comparative figures have been reclassified in order to conform with the basis of this year's presentation.

Five-Year Review

(In thousands of dollars, except per common share data)

Fiscal years ended December 31	1999	1998	1997	1996	1995
Revenue	1 174 602	645 503	414 280	318 040	265 459
Earnings from operations before depreciation and amortization (EBITDA)	119 223	62 527	44 238	34 766	25 783
Total amortization	27 719	13 533	8 796	8 379	8 140
Earnings from operations	96 379	50 686	35 537	26 703	18 518
Net earnings before goodwill amortization	49 032	26 760	20 405	14 738	8 375
Net earnings from continuing operations	45 172	25 418	20 252	14 694	8 360
Net earnings	45 172	25 418	20 252	14 694	10 208
Cash flow from operations	83 776	47 363	29 117	23 414	17 213
Earnings from continuing operations per share	0.76	0.49	0.40	0.29	0.16
Net earnings before goodwill amortization per common share	0.82	0.51	0.40	0.29	0.16
Net earnings per share	0.76	0.49	0.40	0.29	0.20
Weighted average number of outstanding common shares	59 830	52 082	51 594	51 524	51 718
Working capital	304 991	182 731	81 536	69 777	70 359
Long term debt	209 156	131 026	14 459	3 003	14 421
Shareholders' equity	523 829	260 317	153 236	130 713	113 567
Total assets	1 161 908	584 917	252 560	201 716	186 755

Quarterly Results

(In thousands of dollars, except per common share data)

	March		June		September		December	
	1999	1998	1999	1998	1999	1998	1999	1998
Revenue	243 439	112 278	257 779	126 303	280 401	182 160	392 983	224 762
Earnings from operations before depreciation and amortization (EBITDA)	20 805	11 149	24 666	13 402	29 977	18 235	43 775	19 741
Earnings from operations	14 582	8 415	18 374	10 589	23 453	14 573	39 970	17 109
Net earnings before goodwill amortization	7 642	4 717	9 776	5 969	12 448	7 331	19 166	8 743
Net earnings	6 867	4 674	8 942	5 877	11 618	6 898	17 745	7 969
Net earnings before goodwill amortization per common share	0.13	0.09	0.17	0.11	0.21	0.14	0.32	0.17
Net earnings per share	0.12	0.09	0.15	0.11	0.20	0.13	0.30	0.16

Directory

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(1) Sales Office

(2) Design Center



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West Palm Beach, Florida
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Scrantom Engineering, Inc.

3545A Cadillac Avenue
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USA 92626

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C-MAC Quartz Crystals, Inc.

840 West Church Road
Mechanicsburg, Pennsylvania
USA 17055

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C-MAC Microcircuits Ltd. (1)

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C-MAC France SA

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Fax: +32 (0) 55-213557

C-MAC Microcircuits GmbH

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Centum Electronics Ltd.

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North America

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Southeast Asia

Rm. 503, No. 79, Chatham Road South
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Tel.: +852 2721 5900
Fax: +852 2721 6099

Europe

55 Deerpark Road
Cork, Ireland

Tel.: +44 (0) 21 310188
Fax: +44 (0) 21 310188

Board of Directors

Dennis Wood, CM ⁽³⁾

Chairman of the Board of Directors
President and Chief Executive Officer
C-MAC Industries Inc.
Montreal, Quebec

André J. Boutin ⁽¹⁾

Consultant
Saint-Lambert, Quebec

The Honorable Edward C. Lumley ⁽³⁾

Vice Chairman
BMO Nesbitt Burns
Toronto, Ontario

Brenda T. Norris ⁽²⁾

President
McCord Street Sites Inc.
Montreal, Quebec

Jean Pierre Quellet ^{(1) (2) (3)}

Chief Legal Officer and Corporate Secretary
Canadian National Railway Company
Montreal, Quebec

Ronald T. Riley ^{(1) (3)}

Vice President
LBG Capital
A Division of National Bank Financial
Montreal, Quebec

Richard Royer ⁽²⁾

President
Kanitek Inc.
Sherbrooke, Quebec

Christopher Wood ⁽³⁾

President
Blue Mountain Wallcoverings
Toronto, Ontario

⁽¹⁾ - Member of the Audit Committee

⁽²⁾ - Member of the Human Resources
and Corporate Governance Committee

⁽³⁾ - Member of the Strategic Planning Committee

Officers

Dennis Wood, CM

Chairman of the Board of Directors
President and Chief Executive Officer

Brian H. Antell

Vice President
President, Microtechnology

David E. Brown

Vice President and
Chief Technology Officer

Anthony Byk

Vice President
President, Electronic Systems

Robert Coallier

Vice President and
Chief Financial Officer

James R. Griffin

Vice President
Sales and Marketing

Suzanne M. Gunther

Vice President
Mergers and Acquisitions

Denis Marchand

Vice President
General Manager, Automotive Business Unit

John Naismith

Vice President
Global Supply Chain Management

Michael Provencher

Chief Legal Officer
and Corporate Secretary

Rick Rollinson*

Vice President
President, Network Systems

Normand Sabourin

Treasurer

Roch Asselin

Corporate Controller

*Effective October 1999

Transfer Agent and Registrar

General Trust of Canada

Montreal, Halifax, Calgary, Winnipeg,
Toronto, Vancouver

Auditors

KPMG LLP
Montreal, Quebec
Canada

Stock Exchange Listings

Toronto (CMS)

Annual Meeting of Shareholders

The Annual Meeting will be held on Thursday,
May 4, 2000 at 10:00 am, at the Omni Hotel,
1050 Sherbrooke Street West, Montreal, Quebec

Annual Notice and Other Information

A copy of the Annual Notice filed with the Securities
Commissions of certain provinces of Canada, along with
other information about the Corporation, is available
upon request by writing to:

The Corporate Secretary

C-MAC Industries Inc.
1010 Sherbrooke Street West, Suite 1610
Montreal, Quebec Canada H3A 2R7

